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Sipdis

Ankara for reynolds, c.
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summary

1.(S/NF) On July 29, 2008 officials from various GOI agencies, including the intelligence community and the MFA, made clear to Treasury DAS Daniel Glaser's delegation their belief that now was the time for action against the Central Bank of Iran (CBI) in the form of sanctions, or failing that, strong financial measures by the USG and international community. The GOI discussed evidence that it believed proves the CBI acts on behalf of designated Iranian commercial banks and engages in other deceptive financial practices contrary to international standards. Glaser stated that information simply identifying the CBI as engaging in commercial practices might not be a sufficient basis for action. He emphasized that the ideal information would demonstrate that CBI acts directly on behalf of designated entities such as Bank Sepah. On related issues, Glaser updated the GOI on potential FATF action against Iran in October, and on recent discussions he had in Paris on European next-steps on Iran. He cautioned that China could prove to be an obstacle in FATF discussions.

2.(S/NF) Glaser also engaged a variety of GOI agencies on Hamas financing in the West Bank, and Palestinian and Israeli efforts to address the problem. GOI officials were uniformly unimpressed with assertions by PA Prime Minister Salaam Fayyad that the Hamas Zakat Committees had been reconstituted and severed from Hamas. GOI officials seemed to feel that nothing short of complete elimination of the committees would be sufficient. Glaser piqued the interest of the Israeli National Security Council's (NSC) counter-terrorism finance director in establishing a USG private sector sponsored charitable network to compete with Hamas charities, a concept that the Israelis have been exploring as well. Regarding Palestinian financial matters more broadly, Bank of Israel (BOI) officials confirmed that the GOI was operating under the principle of preventing any new liquidity from entering

circulation in the Gaza Strip. The GOI will exchange spoiled bank notes with new bank notes but will not permit any additional notes to enter circulation. The DAS notified the Israelis that Treasury had established a new position at CG Jerusalem with the primary purpose of working with the PA on AML/CFT issues.

fatf and european sanctions against iran

3.(C) On July 29, 2008 in a meeting organized and moderated by Ariel Shafransky, Deputy Director of Counterterrorism at the Strategic Affairs Bureau of the Israeli MFA, Treasury DAS for Terrorist Financing and Financial Crimes, Daniel L. Glaser briefed officials of the Mossad, Israeli Security Agency (ISA) or "Shin Bet", Israeli Defense Intelligence (IDI), and the Israeli Money Laundering and Terror Financing Prohibition Authority (IMPA) on relevant topics from the P3 (UK, France, and the US) meetings he had just attended in Paris before arriving in Israel (Ref A). Also in attendance were Hagar Hajjar, Policy Advisor to the DAS, Christopher Backemeyer, Foreign Affairs Officer in EEB/ESC/TFS, and econoff. The DAS told the GOI officials that the goal of the talks was to arrive at an agreement on next-steps for applying financial pressure on Iran. Glaser informed the Israelis that the EU had reached a "political" consensus on additional financial measures relating to Iran, but that these would not be formally agreed upon until September. Beyond that, Glaser mentioned that there was also agreement with the UK and France to focus their efforts in the sectors

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of insurance and reinsurance. The DAS also briefed the Israelis on recent developments within FATF related to Iran and discussed the possibility of additional FATF action in October, though he cautioned that Iran could take steps to avoid such an outcome and that China could prove to be an obstacle in FATF discussions.

now is the time for action against the cbi

4.(S/NF) Later in the day the delegation met exclusively with members of Israel's intelligence community, led by Udi Levi, Director of Israel's National Security Council's (NSC) Counterterrorism Finance Bureau. Levi had brought together several analysts from Mossad and IDI that specifically cover counterterrorism finance issues in regard to Iran. Levi announced to the group that the time was ripe to act against the CBI. The USG, he said, should designate the CBI, but if that were not an option for political or other reasons, the Israeli intelligence community stands ready to assist the USG in taking any other action possible to hinder the CBI in conducting business.

5.(S/NF) Udi Levi outlined the actions of the CBI that he and his team of analysts believed to run contrary to international banking standards. Working from several documents that had been internally produced by Mossad and had been passed to the USG intelligence community, he outlined three practices by the CBI that he believed made the case for designation. He said that the GOI maintains information to implicate the CBI in 1) transferring money without the use of Swift to obfuscate the identities of the parties transmitting and receiving money, 2) planning to purchase undesignated banks using false names through which it could assist Iranian enterprise in circumventing sanctions, and 3) acting on behalf of designated Iranian banks such as Bank Melli and Bank Saderat to execute transactions that would otherwise be prohibited. On the last point, DAS Glaser mentioned that if any of this activity were occurring in London, such information could be key to persuading an otherwise highly cautious UK to take action. The Israelis said that they would look into that question.

6.(U) Failing full designation, Levi said, the GOI would be highly supportive of USG efforts to enact any other measures to stifle Iranian finance and activities of the CBI. Levi suggested encouraging the international community to conduct enhanced vigilance with regard to CBI activity, including but not limited to examining each transaction, and enhanced record-keeping and customer identification practices.

no increase in liquidity to gaza

7.(S/NF) On the same day, in a meeting with David Zaken, Assistant Supervisor of Banks and Head of Off-Site Examination & Licensing, and Merav Basri, Assistant to General Council at the BOI, DAS Glaser's delegation and econoff learned that the BOI and Israeli Defense Forces (IDF) were operating under a principle of not permitting any additional liquidity into Gaza. Zaken was able to confirm that NIS 40 million was already approved for exchange at the border by the BOI and IDF and said that NIS 17 million was being delivered as he spoke. NOTE: Embassy Tel Aviv later confirmed that this exchange had taken place. END NOTE. Zaken said that the GOI would only permit exchanges of spoiled bank notes for new ones. Having been informed of the PA's situation through CG Jerusalem (Refs B ad C), econoff questioned Zaken regarding the possibility that the PA would not have enough liquidity to make its August civil servant's salaries in Gaza. Despite the PA's assessment, Zaken opined that the PA would be able to make its August salary payments as it did in July. COMMENT: As mentioned in the morning meeting at the MFA by a senior ISA analyst, GOI intelligence agencies generally believe that PA salaries paid in Gaza actually make their way into the hands of Hamas; therefore,

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the PA argument that the salaries meet the mutually beneficial goal of bolstering Fatah does not impress the Israelis. While Israeli officials frequently express their doubts with regard to PA statistical assessments of the state of the economy in Gaza, whether the PA is able to meet its salary commitments in Gaza appears of little concern to the goi. End comment

8.(C) Despite the general principle of denying Gaza additional liquidity, Zaken said that the BOI would still consider requests to move additional bank notes into Gaza on a case-by-case basis. Even if the BOI were to look positively on such a request, however, final approval to allow any additional notes into Gaza would still remain with the IDF. NOTE: Recent actions by Israeli commercial banks to discontinue cash services to Palestinian banks complicates this matter (Ref D). END NOTE. When DAS Glaser asked if the GOI's policy was to maintain the Gazan economy at the precipice of disaster, Zaken agreed, but added that the goal is to prevent the financing of Hamas terrorism. When DAS Glaser noted that this policy could mean cutting off the Gazan economy completely, Zaken disagreed and stated that Israel would not want to cause a humanitarian crisis. Zaken made it clear, however, that he was not articulating an official GOI policy, and that from a central bank perspective they were not opposed to a healthy Palestinian financial system.

the problem of zakat -- islamic charities

9.(S/NF) During the meetings at the MFA and with the Israeli intelligence agencies, DAS Glaser briefed the Israeli officials on his recent discussions with PM Fayyad on "zakat" or Islamic charitable organizations operating in the West Bank that were determined to be funding Hamas. Glaser conveyed Fayyad's anger over recent Israeli raids on zakat committees in Nablus. The PM stated that he had taken

significant action against these Hamas-related zakat committees--action that he said was unparalleled in the Arab world. The Israeli officials replied that raids such as the one in Nablus were necessary in order to spur Fayyad and the PA to action, and repeatedly expressed frustration that Fayyad was not doing as much as he could to address the problematic zakat committees.

10.(S/NF) Glaser went on to discuss potential future actions against the zakat committees. He told the Israelis that he felt Fayyad and Treasury had been "talking past each other" for the past several months, with Treasury focused on passing specific information regarding the financial activities of the zakat committees, and Fayyad responding with general assurances that the committees had been restructured. Glaser told the GOI that Treasury's view is that the charities continue to be controlled by Hamas. DAS Glaser said the burden is on Fayyad to demonstrate with detailed information that the link between Hamas and the zakat committees has indeed been severed. The DAS expressed his view that Fayyad is acting with good intentions on the issue, and informed the GOI officials that one of the main purposes for the creation of the new Treasury position at CG Jerusalem was to provide a constant and direct exchange with the PA on these issues. The Israelis expressed the view that simply replacing the leadership of the committees would not sufficiently sever their connection with Hamas. When Glaser asked if there was any action that Fayyad could take to improve the situation, the Israelis responded that there was, but did not provide details of what this action might be.

11.(S/NF) Oren Driesen, a senior ISA analyst, emphasized general Israeli frustration on the zakat committee issue. Driesen stated that the GOI understands that the Dawa is an ingrained institution that will continue to operate in all predominately Muslim societies. He said that the GOI had no designs on attempting to destroy the institution, but the problem was separating the legitimate charities from those that fund Hamas. He expressed great fear that the system

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used by Hamas to slowly take over Gazan institutions was at work in the West Bank. Driesen stated that once the infrastructure of social welfare institutions was in place, all an organization needed to do to become the government was "flip the switch".

pma aml/cft and gazan banking woes

12.(U) Recounting his meeting the previous day with Palestinian Monetary Authority (PMA) Director, Jihad al-Wazir, DAS Glaser told the Israeli officials at the MFA and intelligence meetings that the PMA chief believes the PMA can and will implement an AML/CFT regime in the near future. Al-Wazir told Glaser that the PA had now passed the point where it would need basic money-laundering training. He said it needs analysts and implementers. The PA was now focused on building organizations. DAS Glaser said that the new Treasury representative in Jerusalem would be of great help on this. One important challenge, said Glaser of his conversation with al-Wazir, would be regulating the moneychangers in the West Bank.

13.(U) Paul Landes, Legal Counsel for IMPA, Israel's FIU, asked the DAS about USG technical efforts to assist the PA with cash smuggling into Gaza. He stated that recent GOI intelligence estimates that 100s of millions are entering Gaza this way. Glaser responded to say that Treasury is working closely with the PMA to ensure it receives the technical assistance it needs. The PMA has requested help in FIU analyst training for its FIU and PMA senior personnel, drafting regulations related to the registering and monitoring of money service businesses (MSBs), and handling trade-based money laundering (TBML). Glaser pledged to

improve on these efforts through his new Treasury position in Jerusalem. He assured Yehuda Shaffer, Director of IMPA, the same, as well as help in improving cooperation between the PMA, IMPA, and Jordanian FIU in an earlier meeting that morning.

14.(S/NF) In concluding the meeting at the MFA, Shafransky asked Glaser if he was aware of any changes in the PMA's efforts to enforce its demand that the Palestinian Islamic Bank (PIB) and Bank of Palestine (BOP) move its headquarters from Gaza to the West Bank. Glaser told the Israelis that BOP had been transferred to the West Bank, but not PIB. He also noted that the PMA has expressed frustration with PIB as it has not been responding to orders and benchmarks set forth by the PMA, and that heavy fines and regulatory pressure have been applied. Glaser noted that Al-Wazir stated the PMA would give the PIB until the end of the year to reform its operations or would consider closing the bank. NOTE: Israeli intelligence suggests that the PIB's primary client is Hamas and the Israelis are anxious to see the bank closed. END NOTE.

hopes for a usg-private sector sponsored charity network

15.(U) During the afternoon intelligence meeting with Udi Levi, Glaser piqued great interest by Levi regarding the establishment of a USG-Private Sector sponsored charity program. Glaser briefed Levi on the program, the American Charities for Palestine (ACP), founded by Dr. Ziad Asali, president of the American Task force on Palestine, and explained that the mission of the organization would be to raise U.S. private funds and disburse them in the Palestinian Territories through USG-vetted programs on-the-ground. He envisioned that the organization would facilitate a legitimate way for donors to send money to the Palestinian Territories and hopefully provide alternatives to Hamas-led programs. Levi expressed strong interest in the program and noted that he was working with the Gulf countries on a similar concept. Levi noted that if the program becomes operational, it could provide an additional mechanism through which Gulf donors could donate money. Glaser agreed to pursue the issue and keep Levi informed of his progress.

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16.(U) This cable has been cleared by Treasury DAS Daniel L. Glaser.